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## **EMPLOYER COSTS FOR EMPLOYEE COMPENSATION SOUTH REGION: MARCH 2001**

Private industry employer costs for employee compensation in the South<sup>1</sup> averaged \$18.59 per hour worked in March 2001, according to data released by the U.S. Department of Labor's Bureau of Labor Statistics. Regional Commissioner Janet S. Rankin noted that hourly compensation in the other three census regions was \$23.91 in the Northeast, \$21.86 in the West, and \$20.47 in the Midwest. Compensation for all private industry workers in the U.S. averaged \$20.81 per hour. (See table 1.)

Wages and salaries in the South averaged \$13.71 per hour worked, representing 73.7 percent of total compensation costs. In the other regions of the country, average wage costs per hour worked were \$14.69 in the Midwest, \$16.19 in the West, and \$17.22 in the Northeast. Nationally, wages and salaries averaged \$15.18.

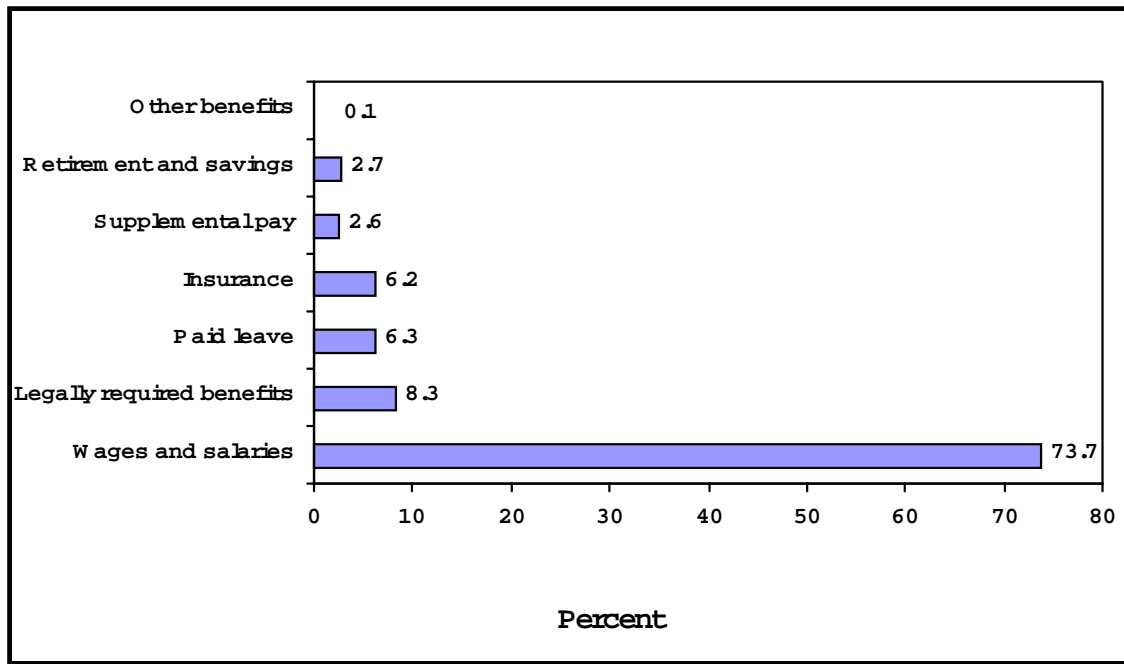
Benefit costs in the South comprised 26.3 percent of total compensation costs, averaging \$4.89 on an hourly basis. Among the benefit categories, legally required benefits, such as Social Security, unemployment insurance, and workers' compensation averaged \$1.55 per hour, or 8.3 percent of total compensation costs. Other important benefit categories and their average hourly costs included: paid leave, \$1.17; insurance, \$1.16; supplemental pay, \$0.48; and retirement and savings, \$0.51. (See charts 1 and 2.)

The proportion of total compensation costs paid for benefits across regions was: 25.9 percent in the West, 26.3 percent in the South, 28.0 percent in the Northeast, and 28.2 percent in the Midwest. Nationally, benefit costs accounted for 27.1 percent of total compensation costs.

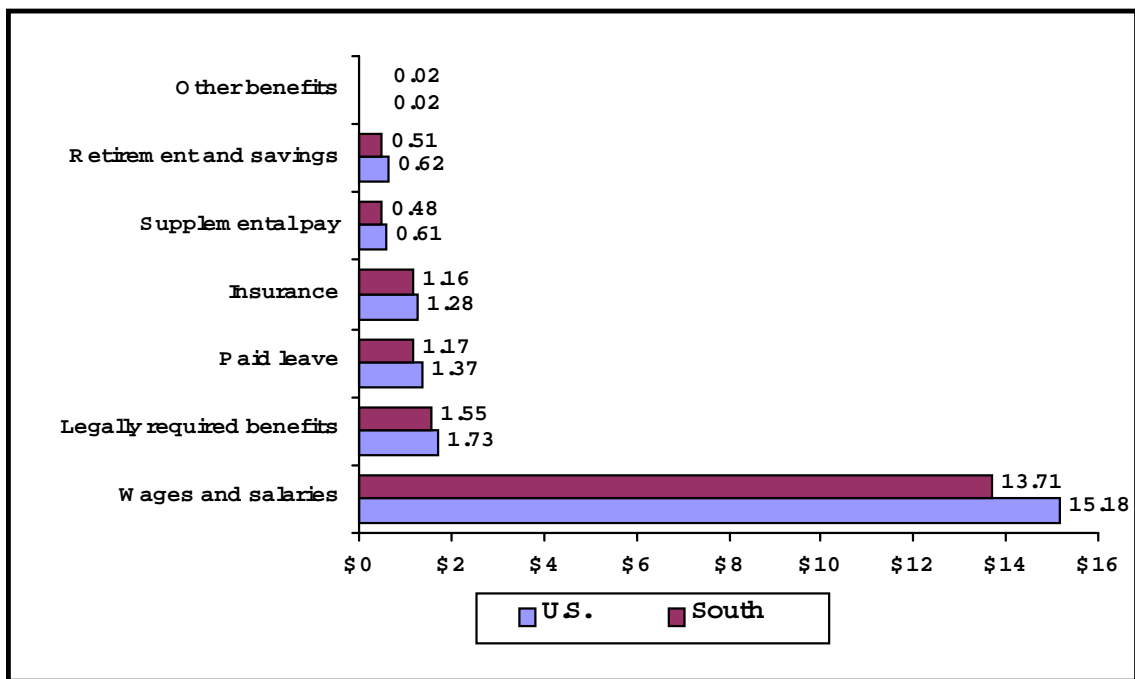
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<sup>1</sup>States included in the South Census Region are Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia.

**Chart 1: Percentage contribution to employer costs for employee compensation for private industry workers in the South region, March 2001**



**Chart 2: Employer dollar costs for employee compensation for private industry workers, U.S. versus South region, March 2001**



**Table 1. PRIVATE INDUSTRY, U.S. AND BY REGION : Employer costs per hour  
worked for employee compensation, and costs as a percent of total compensation, March 2001**

			REGION <sup>1</sup>							
	U.S.		South		Northeast		Midwest		West	
	Cost	Percent	Cost	Percent	Cost	Percent	Cost	Percent	Cost	Percent
Total compensation .....	\$20.81	100.0%	\$18.59	100.0%	\$23.91	100.0%	\$20.47	100.0%	\$21.86	100.0%
Wages and salaries .....	15.18	72.9	13.71	73.7	17.22	72.0	14.69	71.8	16.19	74.1
Total benefits .....	5.63	27.1	4.89	26.3	6.69	28.0	5.78	28.2	5.67	25.9
Paid leave .....	1.37	6.6	1.17	6.3	1.73	7.2	1.33	6.5	1.41	6.5
Vacation .....	0.68	3.3	0.58	3.1	0.86	3.6	0.66	3.2	0.69	3.2
Holiday .....	0.47	2.3	0.40	2.2	0.58	2.4	0.46	2.2	0.49	2.2
Sick .....	0.17	0.8	0.14	0.8	0.22	0.9	0.15	0.7	0.19	0.9
Other .....	0.06	0.3	0.05	0.3	0.07	0.3	0.07	0.3	0.04	0.2
Supplemental pay .....	0.61	2.9	0.48	2.6	0.78	3.3	0.75	3.7	0.52	2.4
Premium <sup>2</sup> .....	0.24	1.2	0.22	1.2	0.21	0.9	0.30	1.5	0.22	1.0
Shift differentials .....	0.05	0.2	0.04	0.2	0.06	0.3	0.08	0.4	0.04	0.2
Nonproduction bonuses .....	0.32	1.5	0.22	1.2	0.52	2.2	0.37	1.8	0.26	1.2
Insurance .....	1.28	6.2	1.16	6.2	1.50	6.3	1.35	6.6	1.19	5.4
Life .....	0.05	0.2	0.04	0.2	0.05	0.2	0.05	0.2	0.04	0.2
Health .....	1.16	5.6	1.05	5.6	1.37	5.7	1.22	6.0	1.09	5.0
Short-term disability .....	0.04	0.2	0.03	0.2	0.05	0.2	0.04	0.2	0.03	0.1
Long-term disability .....	0.03	0.1	0.03	0.2	0.03	0.1	0.03	0.1	0.03	0.1
Retirement and savings .....	0.62	3.0	0.51	2.7	0.74	3.1	0.63	3.1	0.66	3.0
Defined benefit .....	0.21	1.0	0.16	0.9	0.24	1.0	0.27	1.3	0.21	1.0
Defined contribution .....	0.40	1.9	0.34	1.8	0.50	2.1	0.37	1.8	0.45	2.1
Legally required benefits .....	1.73	8.3	1.55	8.3	1.90	7.9	1.69	8.3	1.87	8.6
Social Security <sup>3</sup> .....	1.26	6.1	1.15	6.2	1.41	5.9	1.24	6.1	1.34	6.1
OASDI .....	1.02	4.9	0.93	5.0	1.13	4.7	0.99	4.8	1.07	4.9
Medicare .....	0.25	1.2	0.22	1.2	0.28	1.2	0.24	1.2	0.26	1.2
Federal unemployment insurance ..	0.03	0.1	0.03	0.2	0.03	0.1	0.03	0.1	0.03	0.1
State unemployment insurance .....	0.09	0.4	0.06	0.3	0.14	0.6	0.08	0.4	0.11	0.5
Workers' compensation .....	0.33	1.6	0.31	1.7	0.32	1.3	0.34	1.7	0.39	1.8
Other benefits <sup>4</sup> .....	0.02	0.1	0.02	0.1	0.03	0.1	0.03	0.1	(5)	(6)

<sup>1</sup> The regional coverage is as follows: Northeast: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont; South: Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Tennessee, Texas, Virginia, and West Virginia; Midwest: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin; and West: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

<sup>2</sup> Includes premium pay for work in addition to the regular work schedule (such as overtime, weekends, and holidays).

<sup>3</sup> The total employer's cost for Social Security is comprised of an OASDI portion and a Medicare portion. OASDI is the acronym for Old-Age, Survivors, and Disability Insurance.

<sup>4</sup> Includes severance pay and supplemental unemployment benefits.

<sup>5</sup> Cost per hour worked is \$0.01 or less.

<sup>6</sup> Less than .05 percent.

Note: The sum of individual items may not equal totals due to rounding.

## **EXPLANATORY NOTES**

Employer Costs for Employee Compensation (ECEC) measures the average cost per employee hour worked that employers pay for wages and salaries and benefits.

Wages and salaries are defined as the hourly straight-time wage rate, or, for workers not paid on an hourly basis, straight-time earnings divided by the corresponding hours. Straight-time wage and salary rates are total earnings before payroll deductions and include production bonuses, incentive pay, commissions, and cost-of-living allowances. Not included in straight-time earnings are nonproduction bonuses, such as lump-sum payments provided in place of wage increases, shift differentials, and premium pay for overtime and weekend work; these payments are included in the benefits component.

Benefits include: Paid leave--vacations, holidays, sick leave, and other leave; supplemental pay--premium pay for work in addition to the regular work schedule (such as overtime, weekends, and holidays), shift differentials, and nonproduction bonuses (such as referral bonuses and lump-sum payments provided in place of wage increases); insurance--life, health, short-term disability, and long-term disability; retirement and savings--defined benefit and defined contribution plans; legally required benefits--Social Security, Federal and State unemployment insurance, and Workers' Compensation; and other benefits--severance pay and supplemental unemployment benefits.

In June 2000, the Bureau of Labor Statistics expanded the definition of nonproduction bonuses to better represent the compensation packages offered to employees. The March 2001 ECEC includes, in addition to the traditional types of nonproduction bonuses such as attendance bonuses and lump sum payments, hiring and referral bonuses. A fact sheet has been prepared with additional information on this change and the costs of these bonuses. This information can be obtained directly from the BLS Internet site (<http://www.bls.gov/ecthome.htm>).

### **The 2001 Survey**

Employer Costs for Employee Compensation include data from both private industry and State and local government. Not included are the self-employed and farm, household, and Federal government workers. Survey data are published annually with the payroll period that includes March 12 as the reference period.

The cost levels in this release are based on a national probability sample of about 32,200 occupations within approximately 7,500 sample establishments in private industry and about 3,800 occupations within approximately 800 sample establishments in State and local government. Sample establishments are classified by industry categories based on the 1987 Standard Industrial Classification (SIC) system, as defined by the U.S. Office of Management and Budget. Within a sample establishment, specific job categories are selected to represent broader major occupational groups such as professional specialty and technical occupations.

Current employment weights are used to calculate cost levels. The March 2001 cost levels were calculated using the March 2001 employment counts from the Bureau of Labor Statistics Current Employment Statistics (CES) program, benchmarked to the 2000 universe of all private nonfarm establishments. In most instances, private industry employment counts were total employment estimates for 2-digit major industry groups, such as primary metal manufacturing or food stores, as defined by the SIC system. In a few cases, 3- and 4-digit industry employment counts were used. These include the 4-digit aircraft manufacturing industry (3721) and the 3-digit health care and educational industries. For more information on SIC coding, see "BLS Establishment Estimates Revised to Incorporate March 1996

Benchmarks" in the June 1997 issue of Employment and Earnings. For State and local governments, employment counts ranged from those for 3-digit industries, such as education and health care, to those for major industry divisions, such as public administration.

Employment data from these 2-, 3-, and 4-digit industries were distributed to major occupational groups (such as executives, administrators, and managers or machine operators, assemblers, and inspectors) using the relative importance of the groups in the Employment Cost Index (ECI) sample. Because the ECI establishment sample is completely replaced over a period of several years, major occupational group employment counts from the ECI are affected by the age of the sample. However, a few years' difference in the age of the occupational data within industries is likely to have a small impact on the estimates.

In contrast, the ECI, which measures the change in employer costs for employee compensation, is calculated with fixed 1990 employment counts to prevent employment shifts among occupations and industries from influencing the changes. Therefore, year-to-year changes in Employer Costs for Employee Compensation will differ from those in the ECI.

Historical data and related articles on the ECEC are included in the bulletin, Employer Costs for Employee Compensation, 1986-99 (Bulletin 2526). An historical summary from 1986 through 2001 is also being prepared and will be available in the future on the Internet site (<http://www.bls.gov/ecthome.htm>) or upon request. Information on how costs are calculated appears in "Measuring Trends in the Structure and Levels of Employer Costs for Employee Compensation," Compensation and Working Conditions, Summer 1997. An article on changes in employer compensation costs appears in "Tracking Changes in Benefit Costs," Compensation and Working Conditions, Spring 1999.

### Relative Standard Errors

Because the ECEC is a sample survey, it is subject to sampling errors. Sampling errors are differences that occur between the results computed from a sample of observations and those computed from all observations in the population. The estimates derived from different samples selected using the same sample design may differ from each other. A measure of the variation among these differing estimates is the standard error. It can be used to measure the precision with which an estimate from a particular sample approximates the expected result of all possible samples. The chances are about 68 out of 100 that an estimate from the survey differs from a complete population figure by less than the standard error. The chances are about 90 out of 100 that this difference would be less than 1.6 times the standard error. All the statements of comparisons appearing in this publication are significant at a 1.6 standard error level or better, unless otherwise indicated. This means that for differences cited, the estimated difference is greater than 1.6 times the standard error of the difference.

The relative standard error (RSE) is shown with the cost estimates for some series in the appendix. The RSE for all estimates will be available shortly after the release is issued. This information can be obtained directly from the BLS Internet site (<http://www.bls.gov/ecthome.htm>).

For a more detailed explanation of relative standard errors, see "Measuring Trends in the Structure and Levels of Employer Costs for Employee Compensation," Compensation and Working Conditions, Summer 1997. For a detailed explanation of how to use standard error data to analyze differences in year-to-year changes, see "Analyzing Year-to-Year Changes in Employer Costs for Employee Compensation," Compensation and Working Conditions, Spring 1998. This article supplements an article from the Summer 1997 issue of Compensation and Working Conditions,

"Explaining the Differential Growth Rates of the ECI and ECEC," which examined how differences in the construction of these measures contribute to differing trends.

Standard errors relate to differences that occur from sampling errors, but not from nonsampling errors. Sampling errors are differences between the results computed from a sample of observations and those computed from all observations in the population. Nonsampling errors are not measured and include survey nonresponse and data collection and processing errors. Survey nonresponse is when sample members are unwilling or unable to participate in the survey. Data collection errors include provision of inaccurate data by respondents and definitional difficulties. Processing errors include errors in recording, coding, and entering data. Although nonsampling errors are not measured, BLS quality assurance programs contain procedures for reducing such errors. These procedures include data collection reinterviews, observed interviews, computer data edits, and systematic review of reports on which data are recorded. Extensive field economist training also is conducted to maintain high data collection standards.

#### Comparing private and public sector data

Aggregate compensation cost levels in State and local government should not be directly compared with those in private industry. Differences between these sectors stem from factors such as variation in work activities and occupational structures. Manufacturing and sales, for example, make up a large part of private industry work activities, but are rare in State and local government. White-collar occupations (largely professional occupations including teachers) account for two-thirds of the State and local government workforce, compared with one-half of private industry.

A detailed examination of differences in compensation levels and trends between private industry and State and local government may be found in, "Cost of Employee Compensation in Public and Private Sectors," Monthly Labor Review, May 1993, and "Compensation Cost Trends in Private Industry and State and Local Governments," Compensation and Working Conditions, Fall 1999.

#### Obtaining information

Articles, bulletins, and other information may be obtained by calling (404) 331-3415, sending e-mail to [BLInfoAtlanta@bls.gov](mailto:BLInfoAtlanta@bls.gov) or visiting the Internet site (<http://www.bls.gov/ro4home.htm>). Information in this release will be made available to sensory impaired individuals upon request. Voice phone: (202) 691-5200; Federal Relay Service Number: 1-800-877-8339.